

STATE OF SOUTH CAROLINA

(Caption of Case)

Petition of South Carolina Electric and Gas
Company Requesting Accounting Order Related to
Purchase of Peaking Capacity and Associated
Energy

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

Posted: 1/14/08
Dept: S.A.
Date: 1/14/08
Time: 12:15

DOCKET

NUMBER: 2008 - 21PUBLIC SERVICE
COMMISSION

2008 JAN 14 AM 9:25

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(Please type or print)

Submitted by: Belton T. ZeiglerSC Bar Number: 5754Address: Haynsworth Sinkler Boyd, P.A.Telephone: 803.540.7815P.O. Box 11889Fax: 803.540.7721Columbia, SC 29211

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☒ Request for item to be placed on Commission's Agenda expeditiously

☐ Other: _____

INDUSTRY (Check one)

NATURE OF ACTION (Check all that apply)

- | | | | |
|--|--|--|--|
| <input type="checkbox"/> Electric | <input type="checkbox"/> Affidavit | <input checked="" type="checkbox"/> Letter | <input type="checkbox"/> Request |
| <input checked="" type="checkbox"/> Electric/Gas | <input type="checkbox"/> Agreement | <input type="checkbox"/> Memorandum | <input type="checkbox"/> Request for Certificatio |
| <input type="checkbox"/> Electric/Telecommunications | <input type="checkbox"/> Answer | <input type="checkbox"/> Motion | <input type="checkbox"/> Request for Investigation |
| <input type="checkbox"/> Electric/Water | <input type="checkbox"/> Appellate Review | <input type="checkbox"/> Objection | <input type="checkbox"/> Resale Agreement |
| <input type="checkbox"/> Electric/Water/Telecom. | <input type="checkbox"/> Application | <input type="checkbox"/> Petition | <input type="checkbox"/> Resale Amendment |
| <input type="checkbox"/> Electric/Water/Sewer | <input type="checkbox"/> Brief | <input type="checkbox"/> Petition for Reconsideration | <input type="checkbox"/> Reservation Letter |
| <input type="checkbox"/> Gas | <input type="checkbox"/> Certificate | <input type="checkbox"/> Petition for Rulemaking | <input type="checkbox"/> Response |
| <input type="checkbox"/> Railroad | <input type="checkbox"/> Comments | <input type="checkbox"/> Petition for Rule to Show Cause | <input type="checkbox"/> Response to Discovery |
| <input type="checkbox"/> Sewer | <input type="checkbox"/> Complaint | <input type="checkbox"/> Petition to Intervene | <input type="checkbox"/> Return to Petition |
| <input type="checkbox"/> Telecommunications | <input type="checkbox"/> Consent Order | <input type="checkbox"/> Petition to Intervene Out of Time | <input type="checkbox"/> Stipulation |
| <input type="checkbox"/> Transportation | <input type="checkbox"/> Discovery | <input type="checkbox"/> Prefiled Testimony | <input type="checkbox"/> Subpoena |
| <input type="checkbox"/> Water | <input type="checkbox"/> Exhibit | <input type="checkbox"/> Promotion | <input type="checkbox"/> Tariff |
| <input type="checkbox"/> Water/Sewer | <input type="checkbox"/> Expedited Consideration | <input type="checkbox"/> Proposed Order | <input type="checkbox"/> Other: |
| <input type="checkbox"/> Administrative Matter | <input type="checkbox"/> Interconnection Agreement | <input type="checkbox"/> Protest | |
| <input type="checkbox"/> Other: | <input type="checkbox"/> Interconnection Amendment | <input type="checkbox"/> Publisher's Affidavit | |
| | <input type="checkbox"/> Late-Filed Exhibit | <input type="checkbox"/> Report | |

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January 11, 2008

VIA HAND DELIVERY

The Honorable Charles L. A. Terreni
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

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Re: Proposed Purchase of Peaking Capacity and Associated Energy

Dear Mr. Terreni:

The purpose of this letter is to request that the Public Service Commission of South Carolina (the "Commission") issue an order approving the purchase of a block of peaking capacity and associated energy by South Carolina Electric and Gas Company ("SCE&G" or the "Company") for the summer of 2008. The current plan is to solicit offers for a 100 megawatt ("100 MW") block of power for the months of June-September, 2008. It is possible, however, that the Company would consider purchasing power for one or two additional months, or varying the number of megawatts purchased by some modest amount if an offer was made that brought additional value to the Company. The Company respectfully asks for expedited consideration of this request because of the restricted amount of capacity available in the market at present and the short time remaining before the power is needed.

Need for Power

On April 30, 2007, SCE&G filed with the Commission its 2007 Integrated Resource Plan ("2007 IRP"). At that time, the available data and studies indicated SCE&G should have a reserve margin of approximately 12.3% for the summer of 2008. In the fourth quarter of 2007, SCE&G updated its projections in light of demand data and operating history from the 2007 summer peak. The Company also recalculated the net dependable generating capacity of its units based on the effects of high ambient air temperatures on these units. In response to the current drought, SCE&G reassessed the net dependable generating capacity of its hydro units in light of actual historical operating results. This analysis was concluded in the last several weeks.

THIS DOCUMENT IS AN EXACT DUPLICATE,
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SIGNATURE, OF THE E-FILED COPY SUBMITTED
TO THE COMMISSION IN ACCORDANCE WITH ITS
ELECTRONIC FILING INSTRUCTIONS

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As a result, SCE&G has concluded that without a capacity purchase in the summer of 2008 its reserve margin would be approximately 11%. This reserve margin is below the lower bound of the Company's minimum target range of 12%. Accordingly, SCE&G intends to purchase 100 MW of firm capacity and associated energy to be available for the summer months of June 2008 through September 2008. The purchase of an additional 100 MW would raise the reserve margin to a more acceptable 13%. The Company needs to complete this acquisition by no later than April 1, 2008.

Solicitation of Proposals

To obtain competitive bids for this 100 MW block of power, SCE&G intends to solicit proposals from a broad group of parties that own generating resources in the Southeast or may have contractual rights to generating resources located within the Southeast. The list of counterparties that have been identified for consideration for this solicitation includes:

- Duke Energy Carolinas
- Progress Energy Carolinas
- Southern Company
- South Carolina Public Service Authority ("Santee Cooper")
- North Carolina Electric Membership Corporation ("NCEMC")
- Calpine Energy Services
- ALCOA ("Yadkin")
- Cargill
- Dynegy
- Fortis
- Morgan Stanley
- Tenaska Power Services
- Shell Trading
- Constellation
- Exelon
- AEP
- Dominion

The list may be expanded if future discussions reveal additional potential counterparties that warrant consideration. The Company believes, however, this initial list will provide an adequate survey of the wholesale market in the Southeast and will enable the Company to prudently evaluate the proposals received.

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SCE&G intends to contact these parties directly by telephone or email with a request for a prompt quote (*i.e.*, within one to two weeks) for the required capacity and energy. The factors and criteria SCE&G will consider in awarding the contract to a counterparty include:

- Source and Product Type (*i.e.*, System Firm vs. Unit Contingent);
- Fixed Capacity Charges (including firm transmission required for delivery to SCE&G border);
- Variable Energy Charges (including start charges, variable O&M, etc.);
- Flexibility in scheduling (Day-Ahead and Intra-Day);
- Qualification as a Designated Network Resource ("DNR") under the SCE&G Open Access Transmission Tariff ("OATT");
- Reliability of fuel supply; and
- Creditworthiness of potential counterparties (expectation of ability to perform).

SCE&G will evaluate the proposals received in light of the criteria set forth above and in light of SCE&G's projected use of the 100 MW block of capacity during the Summer of 2008. In keeping with the spirit of Order No. 2007-626, SCE&G will provide updates to the Office of Regulatory Staff ("ORS") at each stage of the process.

Request for Exemption from Order No. 2007-626

In Order No. 2007-626, the Commission issued broad guidelines for mandatory requests for proposals ("RFP's") for utilities considering new peaking generation requirements. The Commission also scheduled a workshop on March 13, 2008, to determine how best to proceed with implementing new peaking RFP requirements. SCE&G intends to participate fully in the workshop.

SCE&G respectfully requests that the Commission exempt the current 100 MW acquisition from the requirements of Order No. 2007-626 pending establishment of specific guidelines for implementing that order through the workshop. SCE&G believes the exemption is justified based on the short-term nature of the capacity being acquired (*i.e.*, a block of power of less than six months duration) and the near-term need for the power (*i.e.*, the need for the power is less than six months away).

Shorter term purchases, such as the purchase at issue here, typically require greater flexibility in polling the market and speed in consummating a transaction than longer-term purchases for which formal RFP processes are more appropriate. Formal RFP processes often require several months to complete. In addition, the requirement in Order No. 2007-626 that

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allows the Commission to set aside awards after winning bids have been selected can delay conclusive selection of a winning bidder even longer. At present, most parties that have identified firm capacity needs for the summer of 2008 are actively locking in their requirements. Parties with power to sell may be reluctant to commit that power to a solicitation that may not be finally concluded for some months.

SCE&G would also note that Order No. 2007-626 arose out of concerns expressed by independent power producers as to whether utilities favored self-build options over market purchases. Utility self-build is not a possibility here, nor does SCE&G have any affiliate that would bid on this block of power.

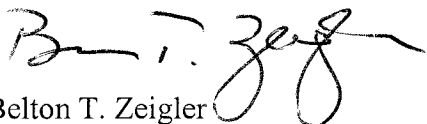
Exempting this short-term transaction from the requirements of Order No. 2007-626 would recognize the limited commercial scope of this solicitation and the expedited nature on which it would be best to conclude it. If this exemption were granted in this case, SCE&G understands it would be without precedential value or prejudice the rights of any party in the upcoming workshop.

Requested Date of Approval

SCE&G respectfully requests that the Commission issue an order approving the proposed purchase by January 24, 2008, and exempting this solicitation from the requirements of Order No. 2007-626. In the alternative, SCE&G requests that the Commission rule that the procedures set forth above comply with the principal requirements of Order No. 2007-626 related to the transparency and fairness of market solicitations and suspend those parts of the order that would preclude an award becoming final and binding at the time the winning bidder is selected by SCE&G. Because of the limited nature of the relief requested, the Commission may issue the requested order without hearing.

Thank you for your consideration of this matter.

Respectfully Submitted,



Belton T. Zeigler

cc: Nanette Edwards, Esq.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2008- -E

IN RE:

Petition of South Carolina Electric)
and Gas Company Requesting)
Accounting Order Related to)
Purchase of Peaking Capacity and)
Associated Energy)

CERTIFICATE OF SERVICE

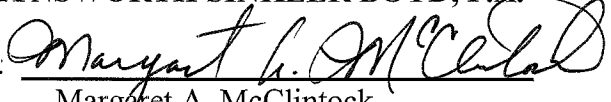
I, the undersigned employee of Haynsworth Sinkler Boyd, P.A., do hereby certify that I have caused the foregoing to be served via U.S. mail, postage prepaid, *or by other delivery as indicated*, to all parties of record at the addresses shown below.

1. Letter Requesting Accounting Order Related to Purchase of Peaking Capacity and Associated Energy

Parties of Record

Nanette Edwards, Esquire
Office of Regulatory Staff
1441 Main Street, Suite 300
Columbia, South Carolina 29201
nsedwar@regstaff.sc.gov

HAYNSWORTH SINKLER BOYD, P.A.

By: 
Margaret A. McClintock
Paralegal

Date: January 11, 2008